



## CABINET

Tuesday 3 December 2019

### DRAFT MEDIUM TERM FINANCIAL STRATEGY

#### EXECUTIVE SUMMARY

1. The Medium Term Financial Strategy (MTFS) provides a baseline forecast of income and expenditure and looks at the overall financial climate. It provides a framework within which the Council's overall spending plans will be developed. The draft MTFS was approved by the Shadow Cabinet on 10<sup>th</sup> December 2018 and was subsequently updated when Shadow Cabinet approved the General Fund Budget on 18<sup>th</sup> February 2019.
2. Overall, this period and the long-term Local Government financial picture continues to be characterised by an increased shift towards locally generated resources, with an accompanying transfer of both risk and opportunity. The Government has been working towards significant reform of the Local Government Finance System from 2020/21. However, with the announcement of a one-year only Government Spending Round and Local Government Settlement for 2020/21, these reforms have now been delayed until 2021/22. Consequently, whilst this brought a significant degree of certainty for next year, the announcement of a General Election on 12<sup>th</sup> December 2019 has now added further uncertainty for the Council going forward in the MTFS period. This report sets out the assumptions made in identifying resources for the MTFS.
3. The predecessor Councils had signed up to a four-year Local Government Finance Settlements for the period 2016/17 – 2019/20 (with East Suffolk receiving the final year of the settlement), covering the elements of Revenue Support Grant, Transitional Grant, and Rural Services Delivery Grant. To take advantage of this offer each authority needed to submit an Efficiency Plan. Although not required in respect of the one-year 2020/21 Settlement, an updated Efficiency Plan will be produced for consideration as part of the 2020/21 Budget process.
4. A technical consultation on the 2020/21 Local Government Finance Settlement was issued on 3<sup>rd</sup> October 2019. As well as deferring reforms to the system, the proposal for 2020/21 is essentially to roll forward the 2019/20 Settlement with relevant uplifts for inflation. Consequently, the Council is likely to receive Revenue Support Grant and Rural Services Delivery Grant and will also benefit financially from an additional year under the Business Rates Retention system in its present form. Partly offsetting these elements, the allocations for New Homes Bonus (NHB) for 2020/21 will also be for one year only for 2020/21, rather

than for four years. The Government will consult further on incentives to promote housing growth, and indications are that NHB may not continue beyond 2020/21 in its present form. Council tax referendum principles are likely to remain the same as in previous years. Only business rates pilots in the original “devolution” areas will go ahead in 2020/21, with all other pilots cancelled.

5. The MTFS appended to this report has been revised for updates including those resulting from the 2018/19 outturn position of the predecessor Councils; budget monitoring forecasts; budget review meetings; and the Local Government Finance Settlement technical consultation. The draft MTFS will be continually revised with updates including those resulting from further budget monitoring forecasts; the provisional Local Government Finance Settlement, and the emerging replacement for the East Suffolk Business Plan.
6. At the end of the 2020/21 budget process, in February 2020, the Council is required to approve a balanced budget for the following financial year and set the Band D rate of Council Tax. This report sets out the context and initial parameters in order to achieve that objective and contribute towards a sustainable position going into the major changes now planned for the medium term.

Is the report Open or Exempt?	Open
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<b>Wards Affected:</b>	All wards in East Suffolk
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<b>Cabinet Member:</b>	<p>Councillor Steve Gallant Leader of the Council and Cabinet Member with responsibility for Resources</p> <p>Councillor Maurice Cook Assistant Cabinet Member with responsibility for Resources</p>
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<b>Supporting Officer:</b>	<p>Simon Taylor Chief Finance Officer and Section 151 Officer 01394 444570 <a href="mailto:simon.taylor@eastsuffolk.gov.uk">simon.taylor@eastsuffolk.gov.uk</a></p> <p>Lorraine Rogers Finance Manager and Deputy Section 151 Officer 01502 523667 <a href="mailto:lorraine.rogers@eastsuffolk.gov.uk">lorraine.rogers@eastsuffolk.gov.uk</a></p> <p>Brian Mew Finance Consultant 01394 444571 <a href="mailto:Brian.Mew@eastsuffolk.gov.uk">Brian.Mew@eastsuffolk.gov.uk</a></p>
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## **1 INTRODUCTION**

1.1 The **Medium Term Financial Strategy** (MTFS) sets the strategic financial direction for the Council and is regularly updated as it evolves and develops throughout the year to form the framework for the Council's financial planning. To ensure Members have a sound basis for planning and decision making, the MTFS is reviewed and updated at key points in the year these are:

- October/November – as a framework for initial detailed budget discussions for the forthcoming financial year;
- January – an update to include additional information received at a national level and corporate issues identified through service planning and the detailed budget build; and
- February – with the final Budget for the new financial year.

1.2 The purpose of the MTFS is to set out the key financial management principles, budget assumptions and service issues. It is then used as the framework for the detailed budget setting process to ensure that resources are managed effectively and are able to deliver the aspirations of the Council as set out in the Business Plan, over the medium term.

## **2 MEDIUM TERM FINANCIAL STRATEGY**

2.1 The draft MTFS for this period is attached as Appendix A and represents a base position for the medium term. In the MTFS, the key uncertainties over this period relate to the proposed reforms to the Local Government finance system – Business Rates Retention and the Fair Funding Review – that have now been deferred until 2021/22.

## **3 HOW DOES THIS RELATE TO THE EAST SUFFOLK BUSINESS PLAN?**

3.1 The MTFS sits beneath the East Suffolk Business Plan in the Council's hierarchy of plans and strategies and is effectively the mechanism by which the key Business Plan objective of Financial Self-Sufficiency will be delivered over the medium term.

## **4 FINANCIAL AND GOVERNANCE IMPLICATIONS**

4.1 All Financial and Governance implications are contained within the MTFS document.

## **5 OTHER KEY ISSUES**

5.1 This report has been prepared having taken into account the results of an Equality Impact Assessment.

## **6 CONSULTATION**

6.1 The Council will consult on its strategy and detailed financial plans for the coming year with staff, residents, partners, and business through a variety of methods including e-consultation and forums.

## **7 OTHER OPTIONS CONSIDERED**

7.1 The consideration of the MTFS by members at an early stage of the budget process is essential, especially in order to commence actions to achieve a balanced budget and sustainable medium-

term position. Consequently, no other options were considered to be appropriate in respect of this.

## **8 REASON FOR RECOMMENDATION**

- 8.1 To approve an updated MTFS, taking account of new and revised risks in order that the Council will be able to set a balanced budget that delivers its priorities for the period under review 2020/21 to 2023/24.

### **RECOMMENDATIONS**

1. That Cabinet approves the draft Medium Term Financial Strategy attached as Appendix A.
2. That Cabinet approves that members and officers develop proposals to set a balanced budget for 2020/21 and beyond.

### **APPENDICES**

<b>Appendix A</b>	Medium Term Financial Strategy
<b>Appendix A1</b>	MTFS Key Principles and Risk Analysis
<b>Appendix A2</b>	East Suffolk Council Tax Base 2020/21
<b>Appendix A3</b>	NHB Reserve 2019/20 – 2023/24
<b>Appendix A4</b>	MTFS Key Movements February – November 2019

### **BACKGROUND PAPERS**

Please note that copies of background papers have not been published on the Council's website [www.eastsuffolk.gov.uk](http://www.eastsuffolk.gov.uk) but copies of the background papers listed below are available for public inspection free of charge by contacting the relevant Council Department.

<b>Date</b>	<b>Type</b>	<b>Available From</b>
October 2019	2020/21 Local Government Finance Settlement Technical Consultation	Financial Services
November 2019	Equality Impact Assessment	Financial Services